

General Information Letter: Organizations exempt from federal taxation under IRC § 501(a) are exempt from Illinois income tax except to the extent they have unrelated business taxable income.

March 29, 1999

Dear:

This is in response to your letter dated February 12, 1999. Given the nature of your inquiry and the information you provide, I am responding with a General Information Letter. This is not to be taken as a statement of Department policy or as a binding ruling by the Department. As general information gathered in response to your particular questions, however, I hope that it is helpful to you. See 86 Ill. Adm. Code 1200.120(b) and (c).

In your letter you have stated the following:

I, as Treasurer, am hereby applying for an exemption from Illinois corporate income tax for xxxxxx xxxx xxxxxx xxxxx (the "Corporation"), x.x.x. xx-xxxxxxx.

The Corporation is organized and operated exclusively for religious, charitable, scientific, literary and educational purposes within the meaning of I.R.C. § 501(c)(3), and will be listed in the next edition of the xxxxxxxx xxxxxxxx xxxxxxxx published by x.x xxxxx & xxxx under the x.x. xxxxxxxx xxxxxxxxxx group exemption number xxxx. Please find enclosed for your review a copy of the Corporation's Articles of Incorporation and bylaws. Additionally, the Corporation will begin its operations on xxxxxxxx xx, xxx, and therefore does not have any financial statements. The Corporation also does not have any pamphlets or brochures.

Please forward your notification granting the exemption from corporate income tax to the attention of xxxxxxxx xxxxx xxxxxxxx, xxx, at xxx xxxxxxxx xxxxxxx, xx, xxxxxxxxxx, xxxx xxxxx.

### **Response**

Section 205(a) of the Illinois Income Tax Act (IITA) declares that an organization that is exempt from federal income tax by reason of Internal Revenue Code Section 501(a) (which includes 501(c)(3) organizations) is also exempt from the income tax in Illinois. Therefore, no application for exemption is required of such an organization. If your organization should have Unrelated Business Taxable Income, as defined by IRC Section 512, then that income would be base income in Illinois and taxable as such.

So long as your federal 501(c)(3) exemption remains in effect and you have no Section 512 income, you will not be required to file an income tax return in Illinois.

As stated above, this is a general information letter which does not constitute a statement of policy that either applies, interprets or prescribes tax law. It is not binding on the Department. If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Sincerely,

Kent R. Steinkamp  
Staff Attorney -- Income Tax